



Office of General Counsel  
Washington DC 20420

In Reply Refer To: **00REG**

August 31, 2021

Subject: Economic Regulatory Impact Analysis for RIN 2900-AQ90(P), 38 CFR Part 4 - Schedule for Rating Disabilities – The Digestive System

I have reviewed this rulemaking package and determined the following.

1. VA has examined the economic, interagency, budgetary, legal, and policy implications of this regulatory action and has concluded that it is an economically significant rule under Executive Order 12866.
2. This regulatory action is also a major rule under the Congressional Review Act, because it is likely to result in an annual effect on the economy of \$100 million or more.
3. This rulemaking will not have a significant economic impact on a substantial number of small entities under the Regulatory Flexibility Act, 5 U.S.C. 601-612.
4. This rulemaking is not likely to result in the expenditure of \$100 million or more by State, local, and tribal governments, in the aggregate, or by the private sector, in any one year, under the Unfunded Mandates Reform Act of 1995, 2 U.S.C. 1532.
5. Attached please find the relevant regulatory impact analysis document dated August 31, 2021.

**Approved by:**

Roy Johnson  
Chief Economist  
Office of Regulation Policy & Management (00REG)  
Office of General Counsel

**(Attachment)**

**Regulatory Impact Analysis for RIN 2900-AQ90(P)**

**Title of Rulemaking:** 38 CFR Part 4 - Schedule for Rating Disabilities – The Digestive System

**Purpose:** To determine the economic impact of this rulemaking.

**Statement of Need:** In accordance with the authority found in 38 U.S.C. § 1155, the Department of Veterans Affairs (VA) proposes to amend the Schedule for Rating Disabilities (VASRD or rating schedule) that addresses the Digestive System. The current version of the VASRD has not undergone a complete revision since 1945 and currently reflects outdated, inaccurate, or obsolete medical, scientific, and economic information.

**Summary:** These changes add medical conditions not currently in the rating schedule, revise the rating criteria to reflect medical advances that have occurred since the last major revision of 1945, clarify existing rating criteria, and update medical terminology. The proposed rule also reflects recommendations from the 2007 report of the National Academy of Sciences, Institute of Medicine, “A 21st Century System for Evaluating Veterans for Disability Benefits.” In fashioning this proposed rule, VA considered the most up-to-date medical knowledge and clinical practice of gastroenterology and hepatology specialties.

**Benefits:** This rulemaking allows for more accurate levels of disability compensation for functional impairment affecting earnings capacity. Additionally, updating the criteria in this body system to reflect current medical and scientific standards allows for more efficient claims processing because terminology and procedures described in current medical records will more easily match the terminology and procedures described in the rating criteria. This supports the Secretary’s goal of providing benefits in a timely manner, modernizing systems, and ensuring Veterans can make informed decisions about the benefits they seek by basing them on current and familiar medical standards and practices.

**Estimated Impact:** Compensation & Pension transfers associated with this proposed rulemaking are estimated to be \$65.5 million in FY 2022, \$928.4 million for five years, and \$2.8 billion over 10 years.

<b>Total: VASRD Digestive</b>		
<b>Fiscal Year</b>	<b>Caseload</b>	<b>Transfers (\$000)</b>
2022	58,382	\$65,512
2023	116,741	\$136,264
2024	174,956	\$212,636
2025	189,118	\$241,688
2026	202,851	\$272,266
<b>5-Year Total</b>		<b>\$928,366</b>
2027	216,167	\$304,016
2028	229,074	\$336,878
2029	241,585	\$370,909
2030	253,714	\$406,138
2031	265,473	\$442,521
<b>10-Year Total</b>		<b>\$2,788,828</b>

#### **Alternative Policy Approaches:**

- 1. Not updating the Digestive body system.** VA considered not updating the VASRD criteria as an alternative policy approach; however, this body system has not undergone a major revision since 1945 and many of its diagnostic codes still contain subjective criteria that can lead to inconsistent disability evaluations. Additionally, many diagnostic codes have evaluation criteria that is based on outdated medical, scientific, and economic data. The application of outdated criteria would render disability evaluations inadequate, inaccurate, and, in some cases, in conflict with current medical and economic understanding of disability. Not only would this conflict result in inadequate assessment of disabilities, it would also result in reduced efficiency in claims processing and delivery of benefits, as VA could not rely on modern medical records (when available) to quickly assess impairment. Failing to maximize efficiency in claims processing and delivery of benefits could result in decreased participation by veterans in not only the disability compensation program, but also with VA services as a whole. Lastly, it could contribute to unfavorable public perception of VBA customer service.

VA's policy objective is to (1) update the medical terminology; (2) add medical conditions not currently in the Rating Schedule; (3) refine evaluation criteria based on medical advances that have occurred since the last revision, and (4) incorporate current understanding of functional changes associated with or resulting from a disability. VA cannot achieve these goals through non-regulatory action.

**2. Using the Functional Digestive Disorders Quality of Life Questionnaire (FDDQL) instead of ROME IV.** The FDDQL was developed in 1997 to measure the impacts of dyspepsia and irritable bowel syndrome (IBS). VA considered utilizing this method for evaluation of IBS rather than the ROME IV; however, the FDDQL questionnaire “measures the specific physical, psychological, and perceptual impacts of dyspepsia and IBS. All the steps in its validation were designed to select items assumed to concern or worry most patients, so that changes could be detected over time or during a therapeutic trial.” See Chassany O, Marquis P, Scherrer B, *et al.* Validation of a specific quality of life questionnaire for functional digestive disorders. *Gut* 1999;44:527-533. The FDDQL also explores the repercussions of these diseases on an individual’s daily activities, wellbeing, social performance, and psychological status -- even during symptom-free periods because of the fear of the next bout of abdominal pain, the restrictions on social life and leisure, and the obligation to take drugs. *Id.*

However, VA is bound by statute to base its disability ratings, as far as practicable, upon the average impairments of earning capacity resulting from such injuries in civil occupations. See 38 CFR § 1155. Unfortunately, the FDDQL measures do not approximate loss in earnings capacity as closely as the ROME IV criteria because they focus, in part, on social and leisure impact. VA found it more practical to utilize ROME IV rather than the FDDQL for two reasons. First, the ROME IV criteria, developed in 2016, is more current than the FDDQL and it captures advances in medical understanding of these disabilities, such as the fact that pain increases with defecation due to IBS in most patients rather than decreases. See Schmulson MJ, Drossman DA. What Is New in Rome IV. *J Neurogastroenterol Motil* 2017;23:151-163. <https://doi.org/10.5056/jnm16214>. Additionally, the ROME IV criteria more closely approximates occupational impairment through its diagnostic criteria and the fact that its symptoms are normalized compared to the general population to ensure that the criteria captures statistically abnormal frequencies. *Id.*

**Assumptions and Methodology:** This proposed rulemaking modifies or adds 56 diagnostic codes (DCs). The table above reflects the combined impact of all changes to VASRD digestive system.

- Three DCs have a major budgetary impact (defined for purposes of this methodology as greater than \$100 million over ten years) and are described in full detail below.

- Twenty-four DCs have a minor budgetary impact (defined for purposes of this methodology as less than \$100 million over ten years) and are described in less detail below.
- Twenty-nine DCs have no budget impact and are excluded from this methodology.

Although Veterans may be impacted by changes to more than one DC, for purposes of this estimate, the caseload from each DC was considered a unique count.

### DCs with Major Budgetary Impact

#### *1. DC 7319 – Irritable Bowel Syndrome*

In addition to changing the title of this DC from Irritable Colon Syndrome to Irritable Bowel Syndrome, VA also proposes to change the rating criteria. Currently, VA assigns a 30 percent evaluation if the condition is severe, 10 percent if the condition is moderate, and zero percent if the condition is mild. Under the proposed criteria, the evaluations are revised to reflect the frequency of symptoms and are awarded at the 30 percent, 20 percent and 10 percent levels compared to the 30, 10, and zero percent levels under the current criteria.

Data provided by Compensation Service indicates that in 2020, 82,979 Veterans received benefits under DC 7319, with 10,254 of those Veterans being new to DC 7319's rolls in 2020. Compensation Service also provided the disability rating for each of these Veterans under DC 7319. Under the revised criteria, Compensation Service assumes 20 percent of Veterans on the rolls will re-open their claims for increased evaluation in each of the first three years. For those Veterans that re-open their claims and for new claims under this DC, Compensation Service estimates that:

- 100% of Veterans rated at zero percent under the current criteria will be rated at 10 percent under the revised criteria.
- 100% of Veterans rated at 10 percent under the current criteria will be rated at 20 percent under the revised criteria.
- 100% of Veterans rated at 30 percent under the current criteria will remain at 30 percent under the revised criteria.

Additionally, Compensation Service estimates five percent of caseload under DC 7319 will be rated under the proposed new DC 7355 instead of DC 7319; see additional details below. Based on these assumptions, the ratings distribution under the revised criteria for these Veterans was projected for 2022 – 2031 based on total Veteran compensation caseload, accessions, and terminations from the FY 2022 President's Budget.

For purposes of this estimate, VA assumes the change to a Veteran's combined rating is the same as the change to the rating under each individual DC. For example, if a Veteran receives an increase from 10 percent to 20 percent under DC

7319, VA also assumes an increase in combined degree of disability from 10 percent to 20 percent.

Caseload distributed by degree of disability rating under the current and proposed rating criteria was compared to determine the change in caseload by degree of disability. Average payments at each degree of disability level from the FY 2022 President's Budget were applied to determine the change in obligations.

In 2020, 20,163 Veterans were rated at zero percent under DC 7319, including 3,167 new accessions. Projecting 95 percent of accessions and Veterans on the rolls at the zero percent level out to 2022 and utilizing a 20 percent re-open rate results in an estimated 8,702 Veterans (4,514 new accessions and 4,188 increased ratings for Veterans on the rolls) that will receive a 10 percent rating under the revised criteria compared to a zero percent rating under the current criteria in 2022. These Veterans will receive an average of an additional \$45 per month or a total of \$4.7 million in FY 2022.

Additionally, in 2020, 16,408 Veterans were rated at 10 percent under DC 7319, including 1,488 new accessions. Projecting 95 percent of accessions and Veterans on the rolls at the 10 percent level out to 2022 and utilizing a 20 percent re-open rate results in an estimated 5,529 Veterans (2,121 new accessions and 3,408 on the rolls) that will receive a 20 percent rating under the revised criteria compared to a 10 percent rating under the current criteria. These Veterans will receive an average of an additional \$147 per month for a total of \$9.8 million in FY 2022. The combined impact of changes for Veterans rated at the zero and 10 percent levels (\$14.4 million in 2022) are shown in the table below.

<b>DC 7319</b>		
<b>Fiscal Year</b>	<b>Caseload</b>	<b>Transfers (\$000)</b>
2022	14,231	\$14,446
2023	28,376	\$29,886
2024	42,413	\$46,396
2025	47,865	\$53,739
2026	53,155	\$61,502
<b>5-Year Total</b>		<b>\$205,969</b>
2027	58,289	\$69,610
2028	63,270	\$78,063
2029	68,102	\$86,861
2030	72,788	\$96,005
2031	77,333	\$105,497
<b>10-Year Total</b>		<b>\$642,006</b>

2. *DC 7336 – Hemorrhoids, external or internal*

Currently, VA assigns a zero percent rating if the condition is “mild or moderate” and a 10 or 20 percent evaluation if the condition is more severe. VA proposes to revise the criteria under the 10 percent evaluation, which will allow a 10 percent evaluation to be assigned in most circumstances that will currently be considered “mild or moderate” under the current criteria.

In 2020, 167,349 Veterans on the rolls were assigned a zero percent rating under DC 7336, with 8,505 of those Veterans being new to the DC 7336’s rolls in 2020. Under the revised criteria, Compensation Service assumes 20 percent of Veterans on the rolls will re-open their claims for increased evaluation in each of the first three years. For both re-opened claims and new claims under DC 7336, Compensation Service estimates 80 percent of Veterans rated at 0 percent under the current criteria will be rated at 10 percent under the revised criteria.

The ratings distribution under the revised criteria for these Veterans was projected for 2022 – 2031 based on total Veteran compensation caseload and accessions projections as well as termination rates from the FY 2022 President’s Budget.

For purposes of this estimate, VA assumes the change to a Veteran’s combined rating is the same as the change to the rating under each individual DC. For example, if a Veteran receives an increase from zero percent to 10 percent under DC 7336, VA also assumes an increase in combined degree of disability from zero percent to 10 percent.

Caseload distributed by degree of disability under the current and proposed formulas was compared to determine the change in caseload by combined degrees of disability. The increase in average payments between the zero and 10 percent degree of disability levels from the FY 2022 President’s Budget were applied to determine the change in obligations.

In 2020, 167,349 Veterans were rated at zero percent under DC 7336, including 8,505 new accessions. Projecting 80 percent of accessions and Veterans on the rolls at the zero percent level out to 2022 and utilizing a 20 percent re-open rate results in an estimated 39,480 Veterans (10,207 new accessions and 29,273 increased ratings for Veterans on the rolls) that will receive a 10 percent rating under the revised criteria compared to a zero percent rating under the current criteria. These Veterans will receive an average of an additional \$45 per month or a total of \$21.1 million in FY 2022.

DC 7336		
Fiscal Year	Caseload	Transfers (\$000)
2022	39,480	\$21,146

2023	79,050	\$45,298
2024	118,617	\$72,720
2025	125,513	\$82,084
2026	132,194	\$92,232
<b>5-Year Total</b>		<b>\$313,480</b>
2027	138,667	\$102,950
2028	144,938	\$114,237
2029	151,014	\$126,095
2030	156,900	\$138,522
2031	162,603	\$151,522
<b>10-Year Total</b>		<b>\$946,807</b>

### 3. *DC 7355 – Celiac Disease*

Currently, VA rates symptoms associated with Celiac Disease as either irritable bowel syndrome (DC 7319) or Crohn's disease (DC 7326). Evaluations under DC 7319 and 7326 are assigned at the zero percent, 10 percent, or 30 percent levels. VA proposes to add a new DC 7355 for Celiac Disease with evaluations at the 30 percent, 50 percent and 80 percent levels. Compensation Service estimates that five percent of Veterans rated under current DC 7319 or DC 7326 will be eligible for a rating under DC 7355. Note that the migration of this population was also accounted for in the estimates for DC 7319 and DC 7326.

Data provided by Compensation Service indicates that in 2020, 83,040 Veterans were assigned a disability rating under DC 7319 or DC 7326, with 10,254 of those Veterans being new to DC 7319 or DC 7326's rolls in 2020. Compensation Service also provided the disability rating for each of these Veterans under the respective DCs. Under the revised criteria, Compensation Service assumes five percent will be eligible under new DC 7355. Further, Compensation Service assumes 20 percent of Veterans on the rolls will re-open their claims for increased evaluation in each of the first three years. For both re-opened claims and new claims under this DC, Compensation Service estimates that:

- 100% of Veterans rated at zero percent under the current criteria will be rated at 30 percent under the revised criteria.
- 100% of Veterans rated at 10 percent under the current criteria will be rated at 50 percent under the revised criteria.
- 100% of Veterans rated at 30 percent under the current criteria will be rated at 80 percent under the revised criteria.

The ratings distribution under the revised criteria for these Veterans was projected for 2022 – 2031 based on total Veteran compensation caseload, accessions, and terminations from the FY 2022 President's Budget. For purposes of this estimate, VA assumes the change to a Veteran's combined rating is the same as the change to

the rating under each individual DC. For example, if a Veteran receives an increase from 10 percent to 50 percent under DC 7355, VA also assumes an increase in combined degree of disability from 10 percent to 50 percent.

Caseload distributed by degree of disability under the current and proposed rating criteria was then compared to determine the change in caseload by degrees of disability. Average payments at each degree of disability level from the FY 2022 President's Budget were applied to determine the change in transfers.

In 2020, 20,188 Veterans were rated at zero percent under DC 7319 or DC 7326, including 3,167 new accessions. Projecting 5 percent of accessions and Veterans on the rolls at the zero percent level out to 2022 and utilizing a 20 percent re-open rate results in an estimated 458 Veterans (237 new accessions and 221 increased ratings for Veterans on the rolls) that will receive a 30 percent rating under the revised criteria compared to a zero percent rating under the current criteria. These Veterans will receive an average of an additional \$395 per month or a total of \$2.2 million in FY 2022.

Additionally, in 2020, 16,426 Veterans were rated at 10 percent under DC 7319 or DC 7326, including 1,488 new accessions. Projecting 5 percent of accessions and Veterans on the rolls at the 10 percent level out to 2022 and utilizing a 20 percent re-open rate results in an estimated 290 Veterans (111 new accessions and 179 on the rolls) that will receive a 50 percent rating under the revised criteria compared to a 10 percent rating under the current criteria. These Veterans will receive an average of an additional \$872 per month for a total of \$3.0 million in FY 2022.

Lastly, in 2020, 46,385 Veterans were rated at 30 percent under DC 7319 or DC 7326, including 5,599 new accessions. Projecting 5 percent of accessions and Veterans on the rolls at the 30 percent level out to 2022 and utilizing a 20 percent re-open rate results in an estimated 927 Veterans (420 new accessions and 507 on the rolls) that will receive a 80 percent rating under the revised criteria compared to a 30 percent rating under the current criteria. These Veterans will receive an average of an additional \$1,749 per month for a total of \$19.5 million in FY 2022. The combined impact of changes for Veterans rated at the zero, 10, and 30 percent levels (\$24.7 million in 2022) are shown in the table below.

<b>DC 7355</b>		
<b>Fiscal Year</b>	<b>Caseload</b>	<b>Transfers (\$000)</b>
2022	1,675	\$24,667
2023	3,340	\$50,263
2024	4,994	\$76,856
2025	5,623	\$88,257
2026	6,233	\$99,937

<b>5-Year Total</b>		<b>\$339,981</b>
2027	6,825	\$111,828
2028	7,399	\$123,919
2029	7,957	\$136,243
2030	8,497	\$148,778
2031	9,021	\$161,539
<b>10-Year Total</b>		<b>\$1,022,288</b>

### DCs with Minor Budgetary Impact

#### *1. DC 7202 – Tongue, loss of whole or part*

Currently, Veterans are assigned a disability rating under DC 7202 at the zero, 30, 60 or 100 percent levels. VA proposes to add a 10 percent disability level. Compensation Service assumes half of the future accessions rated at the zero percent level under the current criteria will receive a 10 percent rating under the revised criteria. Additionally, 10 percent of Veterans on the rolls at the zero percent level will re-open their claims for increased evaluation in each of the first three years. In 2022, an estimated 29 Veterans (17 new accessions and 12 increased ratings for Veterans on the rolls) will receive a 10 percent rating under the revised criteria compared to a zero percent rating under the current criteria. These Veterans will receive an average of an additional \$45 per month or a total of \$16,000 in FY 2022. Estimated transfers are \$16,000 in the first year, \$243,000 for five years, and \$888,000 over ten years.

#### *2. DC 7203 – Esophagus, stricture of*

Currently, Veterans are assigned a disability rating under DC 7203 at the zero, 30, 50 or 80 percent levels. VA proposes to add a 10 percent disability level and clarify rating criteria at the other levels. Compensation Service assumes 80 percent of the future accessions rated at the zero percent level under the current criteria will receive a 10 percent rating under the revised criteria. Additionally, 20 percent of Veterans on the rolls at the zero percent level will re-open their claims for increased evaluation in each of the first three years. In 2022, an estimated 948 Veterans (495 new accessions and 453 increased ratings for Veterans on the rolls) will receive a 10 percent rating under the revised criteria compared to a zero percent rating under the current criteria. These Veterans will receive an average of an additional \$45 per month or a total of \$508,000 in FY 2022. Estimated transfers are \$508,000 in the first year, \$7.9 million for five years and \$28.0 million over ten years.

#### *3. DC 7204 – Esophageal motility disorder*

VA proposes to retitle this DC from “esophagus, spasm of (cardiospasm)” to “esophageal motility disorder.” VA will not substantively change the existing instruction to rate conditions falling under this DC as esophageal stricture (DC

7203). Transfers under this DC are associated with changes in rating criteria under DC 7203. In 2022, an estimated 78 Veterans (32 new accessions and 46 increased ratings for Veterans on the rolls) will receive a 10 percent rating under the revised criteria compared to a zero percent rating under the current criteria. These Veterans will receive an average of an additional \$45 per month or a total of \$42,000 in FY 2022. Estimated transfers are \$42,000 in the first year, \$639,000 for five years, and \$2.1 million over ten years.

4. *DC 7205 – Esophagus, diverticulum of, acquired*

For clarity, VA proposes to add a note with a non-exhaustive list of conditions to which DC 7205 can apply. VA will not substantively change the existing instruction to rate conditions falling under this DC as esophageal stricture (DC 7203). Transfers under this DC are associated with the changes in rating criteria under DC 7203. In 2022, an estimated 14 Veterans (0 new accessions and 14 increased ratings for Veterans on the rolls) will receive a 10 percent rating under the revised criteria compared to a zero percent rating under the current criteria. These Veterans will receive an average of an additional \$45 per month or a total of \$7,000 in FY 2022. Estimated transfers are \$7,000 in the first year, \$104,000 for five years, and \$258,000 over ten years.

5. *DC 7206 – Gastroesophageal reflux disease (GERD)*

VA proposes to add new DC 7206 for the purpose of rating GERD. Historically, this condition has been rated analogous to hiatal hernia under DC 7346. Compensation Service estimates 60% of Veterans under DC 7346 will instead be rated under new DC 7206. Currently, Veterans are assigned a disability rating under DC 7346 at the zero, 10, 30 or 60 percent levels. Under new DC 7206, Veterans will be rated at zero, 10, 30, 50, or 80 percent levels. Compensation Service assumes 70 percent of Veterans rated at the 60 percent level under DC 7346 will receive a 50 percent rating under DC 7206, and the other 30 percent will receive an 80 percent rating under DC 7206. Additionally, 10 percent of Veterans on the rolls at the 60 percent level will re-open their claims for an increased evaluation in each of the first three years. In 2022, an estimated 22 Veteran accessions will receive a 50 percent rating under the revised criteria compared to a 60 percent rating under the current criteria. These Veterans will receive an average of \$369 less per month or a total of \$98,000 in transfer savings for FY 2022. Additionally, an estimated 22 Veterans (9 new accessions and 13 on the rolls) will receive an 80 percent rating under the revised criteria compared to a 60 percent rating under the current criteria. These Veterans will receive an average of an additional \$858 per month for a total of \$227,000 in FY 2022. Estimated net transfers are \$129,000 in the first year, \$1.6 million for five years, and \$3.5 million over ten years.

6. *DC 7301 – Peritoneum, adhesions of*

Under the present rating criteria, VA assigns ratings of zero, 10, 30, or 50 percent under DC 7301 based on whether peritoneal adhesions are “severe,” “moderately severe,” “moderate,” or “mild.” VA proposes to add an 80 percent rating level and clarify rating criteria at the zero, 10, 30, and 50 percent levels. Compensation Service assumes 30 percent of future accessions rated at the 50 percent level under the current criteria will receive an 80 percent rating under the revised criteria. Additionally, 10 percent of Veterans on the rolls at the 50 percent level will re-open their claims for increased evaluation in each of the first three years. In 2022, an estimated 9 Veterans (3 new accessions and 6 on the rolls) will receive a 80 percent rating under the revised criteria compared to a 50 percent rating under the current criteria. These Veterans will receive an average of an additional \$1,228 per month for a total of \$133,000 in FY 2022. Estimated transfers are \$133,000 in the first year, \$1.8 million for five years, and \$5.1 million over ten years.

7. *DC 7304 – Ulcer, Gastric*
8. *DC 7305 – Ulcer, duodenal*
9. *DC 7306 – Ulcer, marginal gastrojejunal*

Currently, ulcers are evaluated separately based on their location. VA proposes to reclassify the DCs 7304 through 7306 under a revised DC 7304, retitled “Peptic ulcer disease.” Under current criteria, VA evaluates ulcers as “mild,” “moderate,” “moderately severe,” “severe,” and “pronounced” at the zero, 10, 20, 40, 60, or 100 percent levels. VA proposes to clarify criteria at the zero, 20, 40, 60 and 100 percent levels and removes the 10 percent rating level. Compensation Service assumes future accessions rated at the 10 percent level under the current criteria will receive a zero percent rating under the revised criteria. No changes are anticipated for Veterans currently on the rolls. In 2022, an estimated 228 Veteran accessions will receive a zero percent rating under the revised criteria compared to a 10 percent rating under the current criteria. These Veterans will receive an average of \$45 less per month or a total of \$122,000 in transfer savings for FY 2022. Estimated transfer savings are \$122,000 in the first year, \$2.1 million for five years, and \$9.1 million over ten years.

10. *DC 7307 – Gastritis, chronic*

Currently, Veterans are assigned a rating under DC 7307 at the zero, 10, 30, or 60 percent levels. VA proposes to remove the existing rating criteria and replace it with a directive to evaluate the condition as a form of peptic ulcer disease under DC 7304, which has disability rating levels of zero, 20, 40, 60, and 100 percent. Compensation Service assumes future accessions rated at 10 percent under the current criteria will be split evenly between the zero and 20 percent levels under the revised criteria. Similarly, accessions at 30 percent under the current criteria will be split between 20 and 40 percent and accessions at the current 60 percent level will be split between 40 and 60 percent under the revised criteria. Accessions at the new 100 percent rate (temporary post-operative for three months) will be rare, and any budgetary impact is assumed to be minimal. Additionally, Compensation Service

assumes 10 percent of Veterans on the rolls will re-open their claims for increased evaluation in each of the first three years.

In 2022, an estimated 101 Veteran accessions will receive a zero percent rating under the revised criteria compared to a 10 percent rating under the current criteria. These Veterans will receive an average of \$45 less per month or a total of \$54,000 in transfer savings for FY 2022. Additionally, an estimated 252 Veterans (101 new accessions and 151 on the rolls) will receive a 20 percent rating under the revised criteria compared to a 10 percent rating under the current criteria. These Veterans will receive an average of an additional \$147 per month for a total of \$446,000 in FY 2022. An additional 9 Veteran accessions will receive a 20 percent rating under the revised criteria compared to a 30 percent rating under the current criteria. These Veterans will receive an average of \$203 less per month or a total of \$22,000 in transfer savings for FY 2022. Lastly, 35 Veterans (9 new accessions and 26 on the rolls) will receive a 40 percent rating under the revised criteria compared to a 30 percent rating under the current criteria. These Veterans will receive an average of an additional \$223 per month for a total of \$94,000 in FY 2022. Estimated net transfers are \$464,000 in the first year, \$6.0 million for five years, and \$15.8 million over ten years.

#### *11. DC 7308 – Postgastrectomy syndrome*

Currently, Veterans are assigned a disability rating under DC 7308 at the zero, 20, 40, or 60 percent levels. VA proposes to remove the current rating criteria and direct rating personnel to use the criteria of new DC 7303 (chronic complications of upper gastrointestinal surgery) which will assign evaluations at the zero, 10, 30, 50, or 80 percent levels. Compensation Service assumes future accessions rated at 20 percent under the current criteria will be split evenly between the 10 and 30 percent levels under the revised criteria. Similarly, accessions at 40 percent under the current criteria will be split between 30 and 50 percent, and accessions at the current 60 percent level will be split between 50 and 80 percent under the revised criteria. Additionally, Compensation Service assumes 10 percent of Veterans on the rolls will re-open their claims for increased evaluation in each of the first three years. In 2022, an estimated 3 Veteran accessions will receive a 10 percent rating under the revised criteria compared to a 20 percent rating under the current criteria. These Veterans will receive an average of \$147 less per month or a total of \$5,000 in transfer savings for FY 2022. Additionally, an estimated 45 Veterans (3 new accessions and 42 on the rolls) will receive a 30 percent rating under the revised criteria compared to a 20 percent rating under the current criteria. These Veterans will receive an average of an additional \$203 per month for a total of \$110,000 in FY 2022. An additional 3 Veteran accessions will receive a 30 percent rating under the revised criteria compared to a 40 percent rating under the current criteria. These Veterans will receive an average of \$223 less per month or a total of \$8,000 in transfer savings for FY 2022. Another 33 Veterans (3 new accessions and 30 on the rolls) will receive a 50 percent rating under the revised criteria compared to a 40 percent rating under the current criteria. These Veterans will receive an average of

an additional \$299 per month for a total of \$118,000 in FY 2022. An additional 4 Veteran accessions will receive a 50 percent rating under the revised criteria compared to a 60 percent rating under the current criteria. These Veterans will receive an average of \$369 less per month or a total of \$18,000 in transfer savings for FY 2022. Lastly, 28 Veterans (4 new accessions and 24 on the rolls) will receive an 80 percent rating under the revised criteria compared to a 60 percent rating under the current criteria. These Veterans will receive an average of an additional \$858 per month for a total of \$288,000 in FY 2022. Estimated net transfers are \$485,000 in the first year, \$6.1 million for five years, and \$14.3 million over ten years.

#### *12. DC 7312 – Cirrhosis of the liver*

Currently, Veterans are assigned a disability rating under DC 7307 at the zero, 10, 30, 50 or 70 percent levels. VA proposes to clarify the current rating criteria, remove the 50 and 70 percent rating levels, and add a 60 percent rating level. Compensation Service assumes future accessions rated at 50 or 70 percent under the current criteria will be rated at 60 percent under the revised criteria. Additionally, Compensation Service assumes 10 percent of Veterans on the rolls at the 50 percent level will re-open their claims for increased evaluation in each of the first three years. In 2022, an estimated 58 Veterans (39 new accessions and 19 increased ratings for Veterans on the rolls) will receive a 60 percent rating under the revised criteria compared to a 50 percent rating under the current criteria. These Veterans will receive an average of an additional \$369 per month or a total of \$257,000 in FY 2022. Additionally, an estimated 28 Veteran accessions will receive a 60 percent rating under the revised criteria compared to a 70 percent rating under the current criteria. These Veterans will receive an average of \$611 less per month or a total of \$205,000 in transfer savings for FY 2022. Estimated net transfers are \$52,000 in the first year, \$558,000 for five years, and \$445,000 over ten years.

#### *13. DC 7325 – Enteritis, chronic*

Currently, chronic enteritis is evaluated using the criteria under DC 7319 (irritable colon syndrome) at the zero, 10, and 30 percent levels. VA proposes to direct rating these conditions under either the revised DC 7319 (irritable bowel syndrome) or DC 7326 (Crohn's disease), whichever is most appropriate. Compensation Service estimates 90 percent of Veterans accessing the rolls under DC 7325 will be rated under DC 7319, and 10 percent will be rated under DC 7326. Veterans rated using the revised criteria for DC 7319 will be distributed to the zero, 20, and 30 percent rating levels as described in detail under the preceding DC 7319 section. For Veterans rated under DC 7326, Compensation Service assumes future accessions rated at the zero percent level will receive a 10 percent rating under the revised criteria. In addition, Veterans rated at 10 percent under the current criteria will be split evenly between the 30 and 60 percent levels under the revised criteria and accessions at 30 percent under the current criteria will be assigned a 100 percent rating under the revised criteria. Lastly, Compensation Service assumes 20 percent of Veterans on the rolls will re-open their claims for increased evaluation in each of

the first three years. In 2022, an estimated 43 Veterans (1 new accession and 42 increased ratings for Veterans on the rolls) will receive a 10 percent rating under the revised criteria compared to a zero percent rating under the current criteria. These Veterans will receive an average of an additional \$45 per month or a total of \$23,000 in FY 2022. Additionally, an estimated 22 Veterans (1 new accession and 21 on the rolls) will receive a 20 percent rating under the revised criteria compared to a 10 percent rating under the current criteria. These Veterans will receive an average of an additional \$147 per month for a total of \$39,000 in FY 2022. One additional Veteran will receive a 30 percent rating under the revised criteria compared to a 10 percent rating under the current criteria. This Veteran will receive an additional \$351 per month or a total of \$4,000 in FY 2022. Another Veteran is expected to receive a 60 percent rating under the revised criteria compared to a 10 percent rating under the current criteria. This Veteran will receive an additional \$1,242 per month or a total of \$15,000 in FY 2022. Lastly, 2 Veterans on the rolls will receive a 100 percent rating under the revised criteria compared to a 30 percent rating under the current criteria. These Veterans will receive an average of an additional \$3,095 per month for a total of \$74,000 in FY 2022. Estimated total transfers are \$155,000 in the first year, \$2.0 million for five years, and \$4.8 million over ten years.

#### *14. DC 7326 – Crohn’s disease or undifferentiated form of inflammatory bowel disease*

Current DC 7326 (enterocolitis, chronic) is evaluated at the zero, 10, and 30 percent levels. In addition to changing the title, VA proposes to change the rating criteria for DC 7326. Under the proposed criteria, ratings will be assigned at the 10, 30, 60, and 100 percent levels. Compensation Service assumes future accessions rated at the zero percent level under the current criteria will receive a 10 percent rating under the revised criteria. In addition, Veterans rated at 10 percent under the current criteria will be split evenly between the 30 and 60 percent levels under the revised criteria, and accessions at 30 percent under the current criteria will be assigned a 100 percent rating under the revised criteria. Lastly, Compensation Service assumes 20 percent of Veterans on the rolls will re-open their claims for increased evaluation in each of the first three years. In 2022, an estimated 5 Veterans on the rolls will receive a 10 percent rating under the revised criteria compared to a zero percent rating under the current criteria. These Veterans will receive an average of an additional \$45 per month or a total of \$3,000 in FY 2022. Additionally, an estimated 2 Veterans on the rolls will receive a 30 percent rating under the revised criteria compared to a 10 percent rating under the current criteria. These Veterans will receive an average of an additional \$351 per month or a total of \$8,000 in FY 2022. Another 2 Veterans on the rolls will receive a 60 percent rating under the revised criteria compared to a 10 percent rating under the current criteria. These Veterans will receive an average of an additional \$1,242 per month or a total of \$30,000 in FY 2022. Lastly, an estimated 4 Veterans on the rolls will receive a 100 percent rating under the revised criteria compared to a 30 percent rating under the current criteria. These Veterans will receive an average of an additional \$3,095 per month or a total of \$149,000 in FY 2022. Estimated total transfers are \$189,000 in the first year, \$2.4 million for five years, and \$5.7 million over ten years.

#### *15. DC 7327 – Diverticulitis and diverticulosis*

Current DC 7327 does not provide specific criteria for diverticulitis but instead directs rating personnel to evaluate it as irritable colon syndrome (DC 7319), peritoneal adhesions (DC 7301), or ulcerative colitis (DC 7323), depending on the predominant disability picture. These DCs all have rating levels at zero, 10, and 30 percent. VA proposes criteria specific to diverticulitis at the zero, 20, and 30 percent rating levels. Compensation Service assumes future accessions rated at the 10 percent level under the current criteria will receive a 20 percent rating under the revised criteria. Additionally, Compensation Service assumes 10 percent of Veterans on the rolls at the 10 percent level will re-open their claims for increased evaluation in each of the first three years. In 2022, an estimated 61 Veterans (3 new accessions and 58 increased ratings for Veterans on the rolls) will receive a 20 percent rating under the revised criteria compared to a 10 percent rating under the current criteria. These Veterans will receive an average of an additional \$147 per month or a total of \$108,000 in FY 2022. Estimated transfers are \$108,000 in the first year, \$1.4 million for five years, and \$3.2 million over ten years.

#### *16. DC 7328 – Intestine, small, resection of*

Currently, Veterans are assigned a disability rating under DC 7328 at the zero, 20, 40, or 60 percent levels. VA proposes to clarify the current rating criteria and add an 80 percent rating level. Compensation Service assumes 30 percent of the future accessions rated at the 60 percent level under the current criteria will receive an 80 percent rating under the revised criteria. Additionally, Compensation Service assumes 10 percent of Veterans on the rolls at the 60 percent level will re-open their claims for increased evaluation in each of the first three years. In 2022, an estimated 5 Veterans (1 new accession and 4 increased ratings for Veterans on the rolls) will receive an 80 percent rating under the revised criteria compared to a 60 percent rating under the current criteria. These Veterans will receive an average of an additional \$858 per month or a total of \$52,000 in FY 2022. Estimated transfers are \$52,000 in the first year, \$685,000 for five years, and \$1.8 million over ten years.

#### *17. DC 7329 – Intestine, large, resection of*

VA currently evaluates DC 7329 based on indefinite criteria of whether symptoms are “severe” (40 percent), “moderate” (20 percent), or “slight” (10 percent). VA proposes to revise and clarify rating criteria while also adding 60 and 100 percent disability levels. Compensation Service assumes future accessions rated at 10 percent under the current criteria will be split evenly between the 10 and 20 percent levels under the revised criteria. Similarly, accessions at 20 percent under the current criteria will be split between 40 and 60 percent and accessions at the current 40 percent level will be split between 60 and 100 percent under the revised criteria. Additionally, Compensation Service assumes 10 percent of Veterans on the rolls will re-open their claims for increased evaluation in each of the first three years. In 2022,

an estimated 53 Veterans (16 new accessions and 37 increased ratings for Veterans on the rolls) will receive a 20 percent rating under the revised criteria compared to a 10 percent rating under the current criteria. These Veterans will receive an average of an additional \$147 per month or a total of \$94,000 in FY 2022. Additionally, an estimated 63 Veterans (25 new accessions and 38 increased ratings for Veterans on the rolls) will receive a 40 percent rating under the revised criteria compared to a 20 percent rating under the current criteria. These Veterans will receive an average of an additional \$426 per month or a total of \$322,000 in FY 2022. Another 63 Veterans (25 new accessions and 38 increased ratings for Veterans on the rolls) will receive a 60 percent rating under the revised criteria compared to a 20 percent rating under the current criteria. These Veterans will receive an average of an additional \$1,094 per month or a total of \$827,000 in FY 2022. An additional 18 Veterans (3 new accessions and 15 increased ratings for Veterans on the rolls) will receive a 60 percent rating under the revised criteria compared to a 40 percent rating under the current criteria. These Veterans will receive an average of an additional \$668 per month or a total of \$144,000 in FY 2022. Lastly, an estimated 18 Veterans (3 new accessions and 15 increased ratings for Veterans on the rolls) will receive a 100 percent rating under the revised criteria compared to a 40 percent rating under the current criteria. These Veterans will receive an average of an additional \$2,204 per month or a total of \$476,000 in FY 2022. Estimated total transfers are \$1.9 million in the first year, \$25.1 million for five years, and \$69.5 million over ten years.

#### *18.DC 7333 – Rectum and anus, stricture of*

Currently, Veterans are assigned a disability rating under DC 7333 at the zero, 30, 50, or 100 percent levels. VA proposes to clarify rating criteria and modify the rating levels to zero, 10, 30, 60, and 100 percent. Compensation Service assumes future accessions rated at 30 percent under the current criteria will be split evenly between the 10, 30, and 60 percent levels under the revised criteria. In addition, Compensation Service assumes accessions at 50 percent under the current criteria will be split evenly between 30 and 60 percent levels. Compensation Service further assumes 10 percent of Veterans on the rolls at the 30 or 50 percent levels will re-open their claims for increased evaluation in each of the first three years. In 2022, an estimated 8 Veteran accessions will receive a 10 percent rating under the revised criteria compared to a 30 percent rating under the current criteria. These Veterans will receive an average of \$351 less per month or a total of \$34,000 in transfer savings for FY 2022. Additionally, an estimated 14 Veterans (8 new accessions and 6 on the rolls) will receive a 60 percent rating under the revised criteria compared to a 30 percent rating under the current criteria. These Veterans will receive an average of an additional \$891 per month for a total of \$150,000 in FY 2022. An additional 3 Veteran accessions will receive a 30 percent rating under the revised criteria compared to a 50 percent rating under the current criteria. These Veterans will receive an average of \$521 less per month or a total of \$19,000 in transfer savings for FY 2022. Lastly, 7 Veterans (3 new accessions and 4 on the rolls) will receive a 60 percent rating under the revised criteria compared to a 50 percent

rating under the current criteria. These Veterans will receive an average of an additional \$369 per month for a total of \$31,000 in FY 2022. Estimated net transfers are \$128,000 in the first year, \$1.7 million for five years, and \$4.9 million over ten years.

*19.DC 7334 – Rectum, prolapse of*

Currently, Veterans are assigned a disability rating under DC 7334 at the zero, 10, 30, or 50 percent levels. VA proposes to clarify rating criteria and add a 100 percent rating level. Compensation Service assumes half of future accessions rated at 30 percent under the current criteria will be assigned a 50 percent level under the revised criteria. In addition, Compensation Service assumes accessions at 50 percent under the current criteria will receive a 100 percent rating under the revised criteria. Compensation Service further assumes 10 percent of Veterans on the rolls at the 30 or 50 percent levels will re-open their claims for increased evaluation in each of the first three years. In 2022, an estimated 21 Veterans (13 new accessions and 8 increased ratings for Veterans on the rolls) will receive a 50 percent rating under the revised criteria compared to a 30 percent rating under the current criteria. These Veterans will receive an average of an additional \$521 per month or a total of \$131,000 in FY 2022. Additionally, an estimated 10 Veterans (4 new accessions and 6 increased ratings for Veterans on the rolls) will receive a 100 percent rating under the revised criteria compared to a 50 percent rating under the current criteria. These Veterans will receive an average of an additional \$2,574 per month or a total of \$309,000 in FY 2022. Estimated total transfers are \$440,000 in the first year, \$6.0 million for five years, and \$18.2 million over ten years.

*20.DC 7338 – Hernia, inguinal*

*21.DC 7339 – Hernia, ventral, postoperative*

*22.DC 7340 – Hernia, femoral*

Currently, hernias are evaluated separately based on their location. VA proposes to reclassify the DCs 7338 through 7340 under a revised DC 7338, retitled “Hernia, including femoral, inguinal, umbilical, ventral and other.” Under the current criteria, Veterans are assigned a disability rating under DC 7338 at the zero, 10, 30, or 60 percent levels. VA proposes to modify the rating criteria and add a 20 percent rating level. Compensation Service assumes future accessions rated at 30 percent under the current criteria will be split evenly between the 10 and 20 percent levels under the revised criteria. Similarly, accessions at 60 percent under the current criteria will be split between 30 and 60 percent under the revised criteria. Compensation Service does not anticipate any changes for Veterans on the rolls. In 2022, an estimated 49 Veteran accessions will receive a 10 percent rating under the revised criteria compared to a 30 percent rating under the current criteria. These Veterans will receive an average of \$351 less per month or a total of \$206,000 in transfer savings for FY 2022. Additionally, an estimated 49 Veteran accessions will receive a 20 percent rating under the revised criteria compared to a 30 percent rating under the current criteria. These Veterans will receive an average of \$203 less per month or a

total of \$120,000 in transfer savings for FY 2022. Lastly, an estimated 13 Veteran accessions will receive a 60 percent rating under the revised criteria compared to a 30 percent rating under the current criteria. These Veterans will receive an average of \$891 less per month or a total of \$139,000 in transfer savings for FY 2022. Estimated total transfer savings are \$465,000 in the first year, \$7.1 million for five years, and \$26.9 million over ten years.

#### *23. DC 7345 – Chronic liver disease without cirrhosis*

Currently, Veterans are assigned a disability rating under DC 7345 at the zero, 10, 20, 40, 60 or 100 percent levels. VA proposes to clarify the rating criteria and remove the 10 percent rating level. Compensation Service assumes future accessions rated at 10 percent under the current criteria will be rated at the 20 percent level under the revised criteria. Additionally, Compensation Service assumes 20 percent of Veterans on the rolls at the 20 percent level will re-open their claims for increased evaluation in each of the first three years. In 2022, an estimated 475 Veterans (73 new accessions and 402 increased ratings for Veterans on the rolls) will receive a 20 percent rating under the revised criteria compared to a 10 percent rating under the current criteria. These Veterans will receive an average of an additional \$147 per month or a total of \$841,000 in FY 2022. Estimated transfers are \$841,000 in the first year, \$10.9 million for five years, and \$27.3 million over ten years.

#### *24. DC 7346 – Hernia hiatal and paraesophageal hernia*

Currently, Veterans are assigned a disability rating under DC 7346 at the zero, 10, 30, or 60 percent levels. VA proposes to delete the existing rating criteria and instead evaluate this condition under DC 7203 at the zero, 10, 30, 50, or 80 percent levels. Compensation Service assumes 60 percent of Veterans previously rated under DC 7346 will be rated under new DC 7206. In addition, Compensation Service assumes future accessions rated at 60 percent under the current criteria will be split evenly between the 50 and 80 percent levels under the revised criteria. Lastly, Compensation Service assumes 10 percent of Veterans on the rolls at the 60 percent level will re-open their claims for increased evaluation in each of the first three years. In 2022, an estimated 9 Veteran accessions will receive a 50 percent rating under the revised criteria compared to a 60 percent rating under the current criteria. These Veterans will receive an average of \$369 less per month or a total of \$40,000 in transfer savings for FY 2022. Additionally, an estimated 26 Veterans (9 new accessions and 17 on the rolls) will receive an 80 percent rating under the revised criteria compared to a 60 percent rating under the current criteria. These Veterans will receive an average of an additional \$858 per month for a total of \$268,000 in FY 2022. Estimated net transfers are \$228,000 in the first year, \$3.0 million for five years, and \$7.8 million over ten years.

<b>Total: DCs with Minor Budgetary Impact</b>
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Fiscal Year	Caseload	Transfers (\$000)
2022	2,996	\$5,253
2023	5,975	\$10,816
2024	8,932	\$16,663
2025	10,117	\$17,608
2026	11,269	\$18,594
<b>5-Year Total</b>		<b>\$68,935</b>
2027	12,386	\$19,627
2028	13,467	\$20,658
2029	14,512	\$21,709
2030	15,529	\$22,833
2031	16,516	\$23,963
<b>10-Year Total</b>		<b>\$177,727</b>

### Accounting Statement and Table:

Five Year Projection in Real Dollars (Annualized 3% & 7% Values) (Inflation rates are not applied in this table)										
Category		Transfers (\$000)								
Year Dollars		FY2022	FY2023	FY2024	FY2025	FY2026	Present Value		Annualized	
							3%	7%	3%	7%
Federal Annualized Monetized	Low Est.	na	na	na	na	na	\$0	\$0	\$0	\$0
	Pri. Est.	\$65,512	\$136,264	\$212,636	\$241,688	\$272,266	\$836,234	\$732,323	\$177,277	\$166,922
	High Est.	na	na	na	na	na	\$0	\$0	\$0	\$0
From/To: & Period Covered:	From:	Federal Government			To:	Eligible Veterans			Period Covered:	FY2022 - FY2026
Notes:		Transfers are associated with this rulemaking, which result from modifying or adding 56 diagnostic codes related to the digestive system.								
Category		Costs								
Year Dollars		FY2022	FY2023	FY2024	FY2025	FY2026	Present Value		Annualized	
							3%	7%	3%	7%
Federal Annualized Monetized	Low Est.	na	na	na	na	na	na	na	na	na
	Pri. Est.	na	na	na	na	na	na	na	na	na
	High Est.	na	na	na	na	na	na	na	na	na
Notes:										
Category		Benefits								
Notes:		This rulemaking allows for more accurate levels of disability compensation for functional impairment affecting earnings capacity for Veterans.								

**Submitted by:** Veterans Benefits Administration (VBA)

Questions regarding the regulatory impact analysis should be submitted to [211-regulations.vbavaco@va.gov](mailto:211-regulations.vbavaco@va.gov).

**Date:** August 31, 2021